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A Response to Alan Reynolds on Immigration Numbers

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By a ratio of three to one, Americans prefer to decrease rather than increase immigration into the U.S.¹ But the immigration bill passed by the Senate (“The Comprehensive Immigration Reform Act,” S.2611) contained a vast increase in legal immigration. This enormous increase in legal immigration has been effectively concealed from the public.

On May 15th, The Heritage Foundation released a study projecting that, if enacted, S.2611 would result in 103 million legal immigrants entering the U.S. over the next twenty years. On the same day, the author participated in a news conference held by Senator Jeff Sessions (R-Al.), who predicted a similar increase. As a result of the public disclosure of these estimates, the Senate promptly amended the bill, scaling back the legal immigration rate. (Even after amendment, the number of immigrants gaining legal status under the bill will be around 55 to 60 million over twenty years.)

On May 18th, Alan Reynolds of the Cato Institute issued a column charging that the Heritage study was “inane nonsense” and a “cheap parlor trick.” One week later, Reynolds returned with another column making the same attack. Although Mr. Reynolds is an economist of merit, he seems to have been overcome by the heat of his own argument and, in consequence, has significantly

distorted the Heritage study’s findings.

Misrepresenting the Study

The original Heritage Foundation study showed that S.2611 would increase legal immigration through many channels.² One of these was a new temporary “guest worker” program. (These workers would not be temporary; rather, they would have the right to permanent residence and citizenship.) The bill would have allowed 325,000 guest workers to enter the country in the first year and would have increased the number allowed, based on employer interest, by up to 20 percent per year. As Mr. Reynolds correctly points out, any number that grows at 20 percent per year, over time, becomes extremely large. For exactly that reason, the Heritage study never predicted that the number of immigrants in the H-2C worker program would grow at 20 percent per year but assumed a more modest rate of growth of 10 percent per year, meaning that the inflow would double every seven years or so.

When combined with the other provisions in the

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<http://www.heritage.org/research/Immigration/wm1109.cfm>

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bill, this growth rate would have resulted in 103 million immigrants being granted legal status over the next twenty years. The bulk of the paper described this estimate in detail, breaking future immigration into eight separate categories.

The paper also provided two other estimates. The first assumed zero future growth in the H-2C program: this would have resulted in 73 million immigrants over twenty years. The second alternative estimate allowed the legal maximum growth of 20 percent per year in the H-2C program: this would have resulted in 193 million immigrants over twenty years. This higher “legal maximum” estimate was mentioned in only one paragraph in the text and was clearly intended to illustrate that the preferred estimate of 103 million was not a theoretical “worst case” scenario but, in fact, well below the bill’s legal ceiling.

Reynolds attacked the Heritage study by pretending that it assumed the worst case scenario of 20 percent growth in the H-2C program which would result in nearly 200 million legal immigrants over 20 years. It takes considerable chutzpah to allege that a paper titled “Senate Immigration Bill Would Allow 100 Million New Legal Immigrants Over the Next Twenty Years” actually predicted over 200 million immigrants, but that is exactly what Reynolds does.

Nearly every number in Reynolds’s columns involves an “estimate” the study never made. For example, Reynolds charges that the study predicted an inflow of 25 million immigrants per year by 2026. The study predicted nothing of the sort. Reynolds charges that the study predicted 10.4 million guest workers entering the country in 2026; the actual number in the paper is 2.1 million.

The Magic of Compound Interest?

Reynolds asserts that the study’s estimate of future immigration under S.2611 was due to a “cheap trick” based on the “magic of compound interest.” But in reality, “compounding” had little effect on

the actual estimate. Reynolds neglects to mention that the paper provides one estimate assuming zero future growth in the H-2C guest worker program. There is obviously no compounding in this case, but this assumption still yielded 72 million immigrants granted legal status over 20 years, more than three times the level permitted under current law.

In researching the original paper, the author produced some twenty models of immigration growth under S.2611, varying growth in the H-2C program and other factors. For example, one model assumed that the H-2C program started at 325,000 entrants and grew at a fixed rate, with the number of incoming workers increasing linearly by 75,000 each year for twenty years. Although there was no “magic of compound interest” in this model, the result was 104 million immigrants over twenty years. Another model assumed that the entrants in the H-2C program grew at 10 percent per year up to a level of one million per year and then froze at that level; this resulted in 94 million immigrants over twenty years. The published study did not include these estimates because they yielded very similar results to the model that was presented. Still, these estimates illustrate that the study’s conclusions were not based on a compounding “trick,” as Reynolds alleges.

Mr. Reynolds takes a further irrelevant shot by charging that the study’s estimate of 103 million legal immigrants exceeds the population of Mexico and “most guest workers are expected to come from Mexico.” But the estimate of 103 million immigrants gaining legal status included many categories of immigrants besides guest workers; moreover, the bill makes very clear that the H-2C guest worker program is designed to bring in workers from all over the world, not just from Mexico.

Heritage vs. CBO

Finally, Reynolds attempts to compare The Heritage Foundation’s estimates to estimates from

the Congressional Budget Office (CBO). In a May 24 letter to Senator Jeff Sessions, CBO stated that the original S.2611 would have resulted in an additional 18.8 million immigrants achieving legal status over ten years. Combined with the 9.5 million immigrants permitted under current law, the total would be 28 million persons over ten years. The comparable Heritage estimate was 49 million over ten years. Over half of the difference in these estimates was due to conflicting interpretations of Section 408 of the bill.³ An amendment by Senator Sessions, with the support of Senator Mel Martinez (R-FL), resolved that ambiguity, reducing the potential flow of immigrants allowed under the bill.

The remaining differences between the CBO and Heritage estimates relate to three factors. Relative to the Heritage study, CBO has lower estimates of the number of illegal immigrants in the U.S., the number of fraudulent applications for amnesty that will be made, and the number of foreign dependents who will be brought into the country as a result of amnesty. Each of these differences can be subject to further investigation. These factors account for a difference of around nine million legal immigrants between the Heritage and CBO estimates.

An Impossibly High Number of Workers?

Setting aside the red herring issues of compounding and the population of Mexico, one could reasonably argue that, no matter how the Heritage estimate was calculated, it is too high because the economy could not absorb so many workers. The original estimate of 103 million included 10 million immigrants who were already in the country plus some 25 to 30 million new workers who would come from abroad. (The remaining immigrants would be dependents.)

Over the last twenty years, the number of workers in the U.S. economy grew by 25 percent.⁴ Similar growth over the next twenty years would mean an addition of 40 million workers. The Census Bureau

projects that the working age population will increase by only 13 million during this time period,⁵ and so it seems possible that the economy could absorb 25 to 30 million foreign workers if the nation chooses such a high level of immigration.

The critical question is not merely how many foreign workers but what kind of foreign workers. The impact that foreign workers have on current U.S. citizens depends on their earning capacity, the taxes they pay, and the welfare and other government services they receive. In general, low-skill immigrants are a fiscal burden on other taxpayers while high-skill immigrants are a fiscal plus—the taxes they pay exceed their cost to government and society.

Stealth Open Borders

When a nation sets immigration policy, it must do two things. First, it must determine the number of foreign individuals it wishes to admit, and second, it must determine the skill levels and other characteristics of those it chooses to admit. In selecting the number and type of permanent immigrants entering the country, the government determines, to an extent, the future of the country.

The original version of S.2611 was a stealth open border bill. It dramatically increased legal immigration flows into the U.S. but kept this fact hidden from the public. The Bingaman amendment to the bill substantially reduced the size of the guest worker program, but even with this change, the amended bill would still result in a dramatic increase in the flow of immigrants, with 55 to 60 million immigrants gaining legal residence in the nation over the next twenty years. Most of these immigrants will have low skill levels and will place a considerable financial burden on U.S. taxpayers.

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¹ *USA Today*/Gallup poll, April 7-9, 2006 and previous years.

² Robert Rector, "Senate Immigration Bill would Allow 100 Million New Legal Immigrants over the Next Twety Years," *The Heritage Foundation Web Memo*, No. 1076, May 15, 2006.

³ CBO assumed that the permanent guest workers in Section 408 of the bill would be subject to the green card caps granting legal permanent residence under Section 501. Because there was no language in the bill stating that the permanent guest workers would be subject to this cap, the Heritage analysis assumed that the green card cap would not apply. This resulted in a difference of eleven to twelve million persons between the estimates. After the publication of both the Heritage and the CBO estimates, Senator Jeff Sessions successfully introduced an amendment, with the support of Senator Mel Martinez (R-FL), a chief sponsor of S.2611, stipulating that the Section 501 caps would apply to guest workers.

⁴ Cite.

⁵ Cite.